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E.O. 12958: N/A
TAGS: [ECON](#) [ETRD](#) [WTRO](#) [SF](#)
SUBJECT: DEMARCHE REQUEST: WTO SERVICES NEGOTIATIONS

SENSITIVE BUT UNCLASSIFIED ENTIRE TEXT. PLEASE PROTECT
ACCORDINGLY.

¶1. This is an urgent action request. See paragraph 7
below. (Because of time constraints, we are unable to
provide translations.)

Summary -----

¶2. The WTO Doha Round is moving into a critical stage of
detailed negotiations across all elements of the single
undertaking. As services is one of the three market access
pillars of the Doha Round, along with Agriculture and
Non-Agricultural Market Access (NAMA), we must see meaningful
progress in services in order to achieve a strong Doha
outcome by the end of 2008. To stress the importance of
services and encourage participation in upcoming bilateral
meetings and the proposed signaling conference, Post is
requested to deliver the letter and background points in
para. 8 and 9 to appropriate officials of the host government
no later than February 27. End Summary.

Background -----

¶3. The Doha Round launched by WTO Members in November 2001
is the USG's top trade priority. Services, agriculture, and
industrial goods are the three core market-access negotiating
groups of the Doha Round. Progress in all three groups will
be essential to meet the objective of completing the
negotiations by the end of 2008.

¶4. Since the launch of the Round, the United States has
submitted two Doha Round services offers in 2003 and 2005 and
has engaged in intensive bilateral and plurilateral
negotiations. For the United States, a successful Doha
package must include significant commitments from WTO members
in our target sectors: financial services,
telecommunications, express delivery, computer and related
services, distribution, environmental, and energy services.
As reported in December 2007 summaries of the plurilateral
groups, few members have come forward to indicate that they
will offer significant market access in services. On February
12, WTO Services Chair DeMateo released a report on the
status of the negotiations indicating areas of convergence
and divergence between developed and developing countries. As
noted in the report, the U.S., EU, and other members are
seeking both the binding of existing practice and new market
access commitments.

¶5. Currently, Doha negotiations are moving towards a
potential Ministerial meeting and agreement on Agriculture
and NAMA modalities. Revised texts in those two groups were
released on February 8, and WTO Director General Lamy has
called this step the final sprint towards establishing
modalities. For many countries, including the United States,
there will not be agreement on Agriculture and NAMA

modalities unless there is sufficient clarity that services will achieve a comparable level of ambition. This requires two elements: 1) a multilaterally agreed Chair's text to be agreed in parallel with Agriculture and NAMA modalities, and 2) a signaling exercise among the 25-30 Members engaged in the plurilateral market access negotiations.

¶6. The next step in the process is to urge Ministers from our eleven key target markets (Argentina, Brazil, China, Egypt, India, Indonesia, Malaysia, Philippines, South Africa, Thailand, and Turkey) to send negotiating teams, including capital-based sectoral experts, to Geneva the week of March 10 to engage in a series of intensive bilateral meetings with U.S. negotiators. These meetings would be followed by senior level discussions and culminate in a signaling exercise in the form of a ministerial event, ideally chaired by Director General Lamy, where oral commitments would be exchanged among Ministers from the 25-30 Members engaged in the plurilateral negotiations. The letter in para. 8 provides further details on our country-specific sectoral requests.

Action requested

¶7. Please deliver the letter to the Minister responsible for trade, using the accompanying background points as appropriate, no later than February 27. (See para. 8 and 9) A signed copy of the letter will be sent to Post via email. Please slug responses to State EEB/TPP/MTA Carol Henninger and USTR Todd Nissen.

Text of Letter to be delivered as non-paper

¶8. Begin Text:

H.E. Mr. Mandisi Bongani Mabuto Mpahlwa
Minister of Trade and Industry
Ministry of Trade and Industry
Pretoria, South Africa

Dear Minister Mpahlwa:

We are rapidly approaching a major decision point in the Doha Round; therefore, I wanted to stress the important role the services negotiations play in our thinking. Services account for two-thirds of the U.S. economy and 8 out of 10 jobs. In many developing countries, services account for over 50 percent of jobs, and represent the largest share of total economic output and the fastest growing component of GDP. For developing and developed countries alike, expanded trade in services promises significant opportunities for economic growth and development. In light of this economic and political reality, the Doha Round simply must achieve meaningful progress in services market access in order to receive broad support in the United States and other like-minded countries.

For this reason, the United States will not be able to agree to modalities on Agriculture and NAMA unless there is also agreement on a framework for services that gives us confidence that an equally ambitious outcome will be achieved. First, this requires that we produce a multilateral services text that contains general guidance on the level of market access we expect to achieve. We can be flexible in developing this guidance, but it is imperative that a services text proceed in parallel with the texts on Agriculture and NAMA and reflect a comparable level of ambition.

Second, we also need to have assurance that your next revised offer will contain meaningful improvements in commercially significant sectors that are the drivers of economic growth. In order to provide this assurance, we request your active participation in a signaling exercise that will take place over the next several weeks. More specifically, we request that you send a negotiating team to Geneva beginning the week of March 10, 2008, to engage in a series of intensive bilateral meetings aimed at providing greater understanding

of the content of the next set of services offers. These bilateral meetings would be followed by discussions at a more senior level and culminate in a ministerial event, ideally chaired by the Director-General, where oral commitments would be exchanged among Ministers from the 25-30 Members engaged in the services plurilateral market access negotiations. For purposes of the meetings beginning March 10, we request that you send experts who will have authority to negotiate market access commitments in the following sectors: financial (banking, securities and insurance); telecommunications; postal and courier, including express delivery; distribution; environmental; and energy services.

In order to help frame the discussion, we have identified below a number of key sectors in which we are looking for new commitments and a substantial reduction or elimination of limitations. Areas where we are seeking new commitments for sectors and modes of supply not currently in South Africa's GATS offer include the following:

- Distribution services (commission agents' services);
- Energy services (maintenance and repair of equipment, cross-border for services incidental to mining);
- Environmental services (full sector coverage beyond consultancy only);
- Express delivery services (commitments on a pro-competitive market);
- Financial services (mode 1 for MAT insurance, financial information and data procession services, insurance intermediation and auxiliary services and for securities services for sophisticated consumers; and national treatment for modes 1 and 2 across the sector).

Areas where we seek the reduction or elimination of significant limitations in South Africa's GATS offer include:

- Foreign equity participation and form of establishment for remediation and noise abatement services;
- Exemption of mining-related environmental services;
- Insurance branching;
- Foreign equity participation in telecommunication services; and
- Number of telecommunication service suppliers and local incumbent exclusivity.

Finally, we also would like to address ongoing concerns regarding your unspecified limitations on local borrowing by South African companies with foreign investment of more than 25 percent.

In closing, I want to be clear that this is an important stage of the negotiations, but not the final stage. All offers, of course, remain provisional, with the negotiation of services commitments continuing up to the submission of final schedules.

I trust you share our goals of achieving a successful conclusion to the Doha Round and will devote the necessary resources to this exercise.

Sincerely,

Susan C. Schwab
United States Trade Representative

End text of letter.

Background points

19. Begin points.

- We are rapidly approaching a major decision point in the Doha Round. At this juncture, we want to highlight the importance of the services negotiations to the United States.
- Services account for two-thirds of the U.S. economy and 8 out of 10 jobs. In many developing countries, services account for over 50 percent of jobs, and represent the

largest share of total economic output and the fastest-growing component of GDP.

- The Doha Round must achieve meaningful progress in services in order to deliver on the development promise of the DDA and to receive broad support in the United States, including from our Congress.
- The United States will not be able to conclude an agreement on Agriculture and Non-Agricultural Market Access (NAMA) modalities without a clear sense that services will achieve a comparable level of ambition.
- To achieve the necessary progress in services, we request your commitment to engage constructively in the ongoing services text negotiations and in a signaling exercise.
- First, we request that you send a negotiating team to Geneva for bilateral meetings with the United States beginning March 10, 2008. The delegation should have expertise in the following sectors: financial (banking, securities and insurance); telecommunications; postal and courier, including express delivery; distribution; environmental; and energy services.
- Following the bilateral meetings, we expect senior officials to hold further discussions leading to a ministerial level signaling event.
- We trust you share our goals of achieving a successful Doha Round conclusion this year and will thus devote the necessary resources to the services negotiations.

End background points.

End action requested.

¶10. Department appreciates post's assistance.
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